

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF WATER SERVICE)
CORPORATION OF KENTUCKY FOR AN) CASE NO. 2010-00476
ADJUSTMENT OF RATES)

COMMISSION STAFF'S THIRD INFORMATION REQUEST
TO WATER SERVICE CORPORATION OF KENTUCKY

Pursuant to 807 KAR 5:001, Commission Staff requests that Water Service Corporation of Kentucky ("WSKY") file with the Commission no later than May 20, 2011, the original and 10 copies of the following information, with a copy to all parties of record. Each copy of the information requested shall be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention shall be given to copied material to ensure its legibility.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

WSKY shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though

correct when made, is now incorrect in any material respect. For any request to which WSKY fails or refuses to furnish all or part of the requested information, WSKY shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Refer to WSKY's Response to Commission Staff's Second Information Request, Item 1.

a. Workpaper w/p [f] is the revised depreciation calculation that uses the depreciation lives that WSKY submitted in Case No. 2005-00325.¹ Listed in the revised calculation is depreciation for Project Phoenix of \$69,565. State whether this amount reflects the total amount of the depreciation expense for the JD Edwards Enterprise One financial system ("JDE") and Oracle Customer Care and Billing System ("Oracle") included in the revised revenue requirement of \$2,693,208.

b. If the response to Item 1(a) is no, identify the total amount of depreciation for JDE and Oracle that is included in the revised revenue requirement. Show the calculations to support the depreciation that is identified in this response.

c. State whether WSKY intends to amend its application to request rates that produce the revised revenue requirement from water rates of \$2,693,208.

¹ Case No. 2005-00325, Application of Water Service Corporation of Kentucky for an Adjustment of Rates (Ky. PSC Feb. 28, 2007).

2. Refer to WSKY's Response to Commission Staff's Second Information Request, Item 3. State the amount of depreciation expense included on line 1 of Schedule B of the application that is attributable to JDE. Provide the calculations made to derive this amount.

3. Refer to WSKY's Response to Commission Staff's Second Information Request, Item 4. State the amount of depreciation expense included on line 1 of Schedule B of the application that is attributable to Oracle. Provide the calculations made to derive this amount.

4. Refer to WSKY's response to Commission Staff's Second Information Request, Item 5(c).

a. Explain why the allocated cost of Project Phoenix of \$555,521² to WSKY is reasonable given WSKY's size and number of customers.

b. Quantify the benefits that WSKY receives from Project Phoenix. Show all calculations and state all assumptions made to quantify these benefits.

c. Explain why a software package costing \$555,521 is appropriate and reasonable for a utility of WSKY's size and number of customers.

5. Refer to WSKY's Response to Commission Staff's Second Information Request, Item 7.

a. On Workpaper w/p [b-3], WSKY has placed the notation "Salaries Annualized to include an estimated 3.5% raise effective 4/01/2011." Given that the wage increases listed in the Schedule "WSC Employee Wage Data" vary from no

² Direct Testimony of Steven M. Lubertozzi at 8 and 11. \$368,089 (JDE) + \$187,432 (Oracle) = \$555,521.

change to 12.5 percent, explain the relevance of the reference to the 3.5 percent pay raises that was granted April 1, 2011.

b. For each employee listed in the Table 1, explain why he or she received a wage increase in 2011 in excess of 3.5 percent.

Table 1: Wage Increases Greater than 3.5 Percent				
Employee No.	Base Pay Rate	2011 Pay Rate	2011 Wage Increases	
			\$ Difference	%
WSC 1	\$ 2,155.95	\$ 2,265.00	\$ 109.05	5.06%
WSC 11	\$ 9,166.67	\$ 9,583.00	\$ 416.33	4.54%
WSC 13	\$ 3,865.99	\$ 4,063.00	\$ 197.01	5.10%
WSC 15	\$ 9,012.50	\$ 9,375.00	\$ 362.50	4.02%
WSC 18	\$ 2,575.00	\$ 2,704.00	\$ 129.00	5.01%
WSC 21	\$ 2,608.17	\$ 2,727.00	\$ 118.83	4.56%
WSC 22	\$ 3,975.00	\$ 4,133.00	\$ 158.00	3.97%
WSC 29	\$ 2,496.07	\$ 2,608.00	\$ 111.93	4.48%
WSC 30	\$ 2,780.91	\$ 2,920.00	\$ 139.09	5.00%
WSC 38	\$ 22.83	\$ 25.00	\$ 2.17	9.51%
WSC 42	\$ 17.57	\$ 18.00	\$ 0.43	2.45%
WSC 45	\$ 22.94	\$ 24.00	\$ 1.06	4.62%
WSC 49	\$ 7,500.00	\$ 8,000.00	\$ 500.00	6.67%
WSC 52	\$ 3,227.80	\$ 3,438.00	\$ 210.20	6.51%
WSC 56	\$ 3,333.34	\$ 3,750.00	\$ 416.66	12.50%

c. At page 2 of "WSC Employee Wage Data," WSKY notes the elimination of four employee positions.

(1) If any of these positions have been filled, identify the employee currently in the position, provide the date on which the employee was hired, his or her actual annualized salary, and his or her actual benefit information. Identify the salary and employee benefit costs that are included in WSKY's pro forma operating expenses.

(2) If any of positions are currently vacant, state the reason(s) why the position is vacant and whether WSKY intends to fill the position.

(3) State whether the cost of the position is included in the pro forma salaries and wage expense. If the cost is included, provide the position costs that are included in the test period operating expenses (i.e., payroll expenses, payroll capitalized, retirement, patrol taxes, insurance benefits), stated separately, and the accounts to which each amount was charged.

6. a. Provide all studies and analyses of salary and wage compensation that WSKY has conducted, commissioned, or used to determine the level of the wage increase that became effective on April 1, 2011.

b. Explain why, in light of present economic conditions, both locally and nationally, the wage increase that became effective on April 1, 2011 is reasonable and appropriate.

c. State the date on which employee wage increases in 2010 became effective.

d. Provide a schedule that lists each employee, his or her pay rate prior to the 2010 increase, his or her pay rate on the date that the 2010 wage increase became effective, and the percentage change in these pay rates.

e. Calculate the effect to WSKY's pro forma salary and wage expense if the employee wage increases granted in 2010 and the wage increase granted on April 1, 2011 are eliminated. Provide a detailed schedule by employee supporting WSKY's calculations. On the schedule, separately show the effect of removing each wage increase.

f. Provide the schedules requested in 6(d) and 6(e) in an electronic format that is capable of being viewed and manipulated with the use of Microsoft Excel

1997-2003 computer software. All files containing spreadsheets shall be self-contained and shall not contain any linked references to or macro commands involving external files.

7. Refer to WSKY's Responses to Commission Staff's Second Information Request, Items 9 and 12.

a. Explain why, given that the Middlesboro office was closed on March 31, 2010, the number of Kentucky employees increased from 10 in March 2010 to 11 in April 2010.

b. As of December 2010, WSKY identified 11 employees at Middlesboro and Clinton. For each employee, list his or her position title and salary.

8. Refer to WSKY's Response to Commission Staff's Second Information Request, Item 12(b). There were five different scenarios regarding the number of offices listed in the presentation. Identify the scenario chosen and compare the actual cost savings that have been realized to the projected savings.

9. Refer to WSKY's Response to Commission Staff's Second Information Request, Item 13, and WSKY's Response to Commission Staff's First Information request, Item 3. The electronic spread sheets provided in response to the First Information Request appear to contain linked references to or macro commands involving external files. As a result, several error messages appeared throughout the electronic spreadsheets and prevented verification of calculation references that appear in the response to the Second Information Request. Provide a paper copy of each workpaper contained in the Excel file and an electronic version of the spreadsheet that is capable of being viewed and manipulated with the use of Microsoft Excel 1997-2003

computer software and that does not contain any linked references to or macro commands involving external files.

10. Refer to WSKY's Response to Commission Staff's First Information Request, Item 3. WSKY calculates its uncollectible expense using a rate of 4.48 percent percent. In Case No. 2008-00563,³ WSKY reported an uncollectible rate of 1.11 percent.

a. State the reason(s) for the increase in uncollectibles.

b. Explain why it is appropriate and reasonable for the Commission to use an uncollectibles rate in this case that is significantly higher than the rate used in WSKY's last rate case proceeding.

11. For each Water Service subsidiary that provides retail water service, provide for the calendar year ended December 31, 2010:

a. The subsidiary's total uncollectibles;

b. The subsidiary's total water sales; and

c. The subsidiary's uncollectibles stated as a percentage of total water sales.

12. Refer to WSKY's Response to Commission Staff's Second Information Request, Item 14(a).

a. Provide the requested allocated expense schedule in an electronic format that is capable of being viewed and manipulated with the use of Microsoft Excel

³ Case No. 2008-00563, Application of Water Service Corporation of Kentucky for an Adjustment of Rates (Ky. PSC Nov. 9, 2009) at 17.

1997-2003 computer software and that does not contain any linked references to or macro commands involving external files.

b. Provide the annual total of Water Service Corporation's ("Service Company") expenses that were allocated to WSKY for the 12-month period ending September 30, 2010.

13. Refer to WSKY's Response to Commission Staff's Second Information Request, Item 14(b).

a. Provide the requested direct expense schedule in an electronic format that is capable of being viewed and manipulated with the use of Microsoft Excel 1997-2003 computer software.

b. Provide the annual total of Service Company's expenses that were directly billed to WSKY for the 12-month period ending September 30, 2010.

14. Refer to WSKY's Response to Commission Staff's First Information Request, Item 29 and WSKY's Response to Commission Staff's Second Information Request, Item 15.

a. State whether the December 19, 2007 Agreement has been modified to allow WSKY to contest the reasonableness of any expense that the Service Company allocates to it.

b. If the response to 14(a) is yes, provide a copy of the revised agreement.

c. If the response to 14(a) is no, describe the safe-guards in place to ensure that unreasonable or inappropriate expenses incurred at the Service Company are not allocated to WSKY.

d. Provide examples of expenses that were deemed either unreasonable or inappropriate and were not allocated to WSKY. Describe the process used to make that determination.

15. a. State whether WSKY has a written plan or procedure in place for managing electricity use.

b. If yes,

(1) Provide a copy.

(2) State whether WSKY has established targets or goals for reducing electricity use, electric demand, and power purchase costs.

(3) State whether WSKY has a prioritized list of projects and initiatives for reducing electric use, based on economic analyses and the goals that WSKY has established.

c. If no, explain why not.

16 State whether WSKY has commissioned a comprehensive energy audit of its facilities and operations. If yes, provide a copy of the report of such audit. If no, explain why not.

17. a. State whether WSKY has a supervisory control and data acquisition (“SCADA”) system.

b. (1) If yes, state whether the SCADA system is used to manage electricity use and demand and to record data on use and demand. Explain.

(2) If no, state whether:

(a) WSKY has experienced, trained operators for managing and recording electricity use and demand; and

(b) WSKY has written procedures for managing and recording electricity use and demand. If yes, provide a copy.

18. State whether WSKY's operating procedures call for treating and pumping water to storage during periods of low electric demand. Explain.

19. State whether WSKY's operating procedures address optimization of pump operation. Explain.



Jeff Derouen
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED: **MAY 06 2011**

cc: Parties of Record

Honorable John N Hughes
Attorney at Law
124 West Todd Street
Frankfort, KENTUCKY 40601

Honorable David Edward Spenard
Assistant Attorney General
Office of the Attorney General Utility & Rate
1024 Capital Center Drive
Suite 200
Frankfort, KENTUCKY 40601-8204